



Brown City Area Fire Department

Sanilac County, Michigan

76-7511

Annual Financial Report

March 31, 2004

Lehn L. King

Certified Public Accountant
Marlette, Michigan

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other Brown City Area Fire Department			County Sanilac
Audit Date March 31, 2004	Opinion Date June 11, 2004	Date Accountant Report Submitted to State: June 11, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3078 S. Main Street		City Marlette	State MI
Accountant Signature <i>Lehn L. King</i>		ZIP 48453	

Brown City Area Fire Department
Annual Financial Statement
For The Year Ended March 31, 2004

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LEHN L. KING

Certified Public Accountant

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Board Members
Brown City Area Fire Department
Sanilac County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of Brown City Area Fire Department as of March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Fire Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Brown City Area Fire Department, as of March 31, 2004 and the results of its operations and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

Lehn King

Certified Public Accountant

June 11, 2004

Brown City Area Fire Department
 Combined Balance Sheet - All Fund Types And Account Groups
 March 31, 2004

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>Fire Operating Fund</u>	<u>Equipment Reserve Fund</u>	<u>Long-Term Debt</u>	<u>General Fixed Assets</u>	
<u>Assets</u>					
Cash	\$ 38,930	\$ 89,438	\$ 0	\$ 0	\$ 128,368
Property, Plant, & Equipment	0	0	0	449,941	449,941
Amount to be Provided for Retirement of General Long-Term Debt	0	0	72,401	0	72,401
<u>Total Assets</u>	<u>\$ 38,930</u>	<u>\$ 89,438</u>	<u>\$ 72,401</u>	<u>\$ 449,941</u>	<u>\$ 650,710</u>
<u>Liabilities & Fund Equity</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 610	\$ 0	\$ 0	\$ 0	\$ 610
Accrued Wages	6,086	0	0	0	6,086
Fire Hall Loan Payable	0	0	72,401	0	72,401
<u>Total Liabilities</u>	<u>6,696</u>	<u>0</u>	<u>72,401</u>	<u>0</u>	<u>79,097</u>
<u>Fund Equity</u>					
Investment in General Fixed Assets	0	0	0	449,941	449,941
Fund Balance (Deficit)	32,234	89,438	0	0	121,672
<u>Total Fund (Deficit) Equity</u>	<u>32,234</u>	<u>89,438</u>	<u>0</u>	<u>449,941</u>	<u>571,613</u>
<u>Total Liabilities & Fund Balance</u>	<u>\$ 38,930</u>	<u>\$ 89,438</u>	<u>\$ 72,401</u>	<u>\$ 449,941</u>	<u>\$ 650,710</u>

The notes are an integral part of the statements

Brown City Area Fire Department

Governmental Fund Types
Statement of Revenues, Expenditures, And Changes in Fund Balance - Actual
For The Year Ended March 31, 2004

	<u>Fire Operating Fund</u>	<u>Equipment Reserve Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Revenues</u>			
Contrib. From City of Brown City	\$ 22,300	\$ 2,500	\$ 24,800
Contrib. From Burnside Township	29,669	3,350	33,019
Contrib. From Flynn Township	15,792	2,400	18,192
Contrib. From Lynn Township	6,317	900	7,217
Contrib. From Maple Valley Township	21,534	3,500	25,034
Interest	1,288	1,459	2,747
Donation - Public	3,830	0	3,830
Contrib. From Equipment Reserve	14,070	0	14,070
Miscellaneous	201	0	201
<u>Total Revenues</u>	<u>115,001</u>	<u>14,109</u>	<u>129,110</u>
<u>Expenditures</u>			
Salaries	25,307	0	25,307
Payroll Taxes	1,891	0	1,891
Insurance - Workers Compensation	1,564	0	1,564
Operating Supplies	12,253	0	12,253
Professional Services	875	0	875
Telephone	771	0	771
Gas & Oil	1,869	0	1,869
Insurance	13,495	0	13,495
Utilities	6,501	0	6,501
Administrative Fee	2,100	0	2,100
Maintenance Supplies	4,407	0	4,407
Maintenance - Building	1,307	0	1,307
Maintenance - Vehicle	2,323	0	2,323
Miscellaneous	2,636	0	2,636
Educ., Training, Dues, & Immunizations	3,075	0	3,075
Contrib. To Fire Operating	0	14,070	14,070
Capital Outlay	34,203	0	34,203
Debt Principal & Interest	15,842	0	15,842
<u>Total Expenditures</u>	<u>130,419</u>	<u>14,070</u>	<u>144,489</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(15,418)	39	(15,379)
<u>Fund Balance - April 1, 2003</u>	<u>47,652</u>	<u>89,399</u>	<u>137,051</u>
<u>Fund Balance - March 31, 2004</u>	<u>\$ 32,234</u>	<u>\$ 89,438</u>	<u>\$ 121,672</u>

The notes are an integral part of the statements.

Brown City Area Fire Authority
Note To The Financial Statements
March 31, 2004

Note 1 - Summary of Significant Accounting Policies:

Description of Association Operations and Fund Types

The Brown City Area Fire Department was created on February 10, 1995, by the City of Brown City and the Townships of Burnside, Flynn, Lynn, and Maple Valley. The department operates under a joint five member boards consisting of one (1) representative from the City and four (4) from the Townships, for the purpose of providing total fire protection to the City and various Townships.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Brown City Area Fire Department is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Brown City Area Fire Department.

Basis of Presentation

The financial activities of the Department are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

Equipment Reserve Fund - The Equipment Reserve Fund is used to account for equipment acquisitions.

General Fixed Assets - This account group is used to account for fixed assets used in governmental fund type operations. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

Long-Term Debt - This account group is used to account for general long-term debt of the governmental fund type operations.

Brown City Area Fire Authority

Note To The Financial Statements

March 31, 2004

Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

The Governmental Fund Type is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available to finance current operations and expenditures are recognized when the related liability is incurred.

Cash Equivalents

Cash equivalents consist of investments in checking, savings accounts and U.S. Treasury obligations, which are recorded at cost which approximates market value. The investment trusts have the general characteristics of demand deposit accounts in that the Authority may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

"Totals - (Memorandum Only)"

The "Totals - Memorandum Only" column represents the aggregate total of the various columnar statements by fund type and account group. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Note 2 - Fire Protection Agreement:

On February 10, 1993, the City of Brown City and the Townships of Burnside, Flynn, Lynn, and Maple Valley, entered into an agreement to create the Brown City Area Fire Department for the purpose of providing fire protection services. The Fire Department operates under a five (5) member board composed of City and Township representatives who have the power to purchase, maintain, and operate the department as they see necessary.

Under the agreement, each municipality shall pay its proportional share of the operating expenses, excluding depreciation, plus any fixed assets purchased during the period, based upon a formula of population, state equalized evaluation and fire usage.

The agreement was renegotiated effective April 1, 1995. The agreement specifies the proportional cost sharing annual fund contributions. The agreement will remain in force unless terminated by a vote of three (3) of the municipalities.

Brown City Area Fire Authority

Note To The Financial Statements

March 31, 2004

Note 3 - Cash and Cash Equivalents:

In accordance with Michigan Compiled Laws, the Authority is authorized to invest as follows:

- a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association.
- b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union is eligible to be a depository of surplus funds belonging to the State under Sections 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c) In commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- d) In the United States government or federal agency obligations repurchase agreements.
- e) In bankers acceptances of United States Banks.
- f) In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit union, and savings and loan association. Deposits of the Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Authority.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws do not allow collateralization of governmental deposits.

As of March 31, 2004, the Authority's cash and cash equivalents consist of checking, savings, and certificates of deposit accounts with a carrying balance of \$128,368, which is insured by the FDIC.

Brown City Area Fire Authority
 Note To The Financial Statements
 March 31, 2004

Note 4 - Changes in General Fixed Assets:

The following is a summary of changes in the general fixed assets account group for the year ended March 31, 2004:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>March 31, 2004</u>
Equipment	\$ 172,482	\$ 23,593	\$ 0	\$ 196,075
1994 IHC Tanker	34,904	0	0	34,904
1980 GMC Tanker	4,000	0	0	4,000
2005 Kenworth T-300	0	10,250	0	10,250
Fire Hall	188,712	0	0	188,712
Imaging Camera	16,000	0	0	16,000
TOTAL	<u>\$ 416,098</u>	<u>\$ 33,843</u>	<u>\$ 0</u>	<u>\$ 449,941</u>

Note 5 - Changes in Long-Term Debt

The following is a summary of financing transactions of the Authority for the year ended March 31, 2004.

<u>General Obligation</u>	<u>Fire Hall</u>
Bonds payable at April 1, 2003	\$ 84,413
ADD: Bonds issued	
LESS: Bonds retired	(12,012)
Bonds payable at March 31, 2004	<u>\$ 72,401</u>

Bonds payable at March 31, 2004 is comprised of the following issue.

General Obligation Bonds:

October 13, 1993, fire hall construction; loan due in annual payments
 Of \$15,842.45 (including interest) through May 15, 2009; interest at
 4.50 percent. \$ 72,401